

Message Text

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PAGE 01 JIDDA 00408 181107Z
ACTION TRSE-00

INFO OCT-01 NEA-10 ISO-00 SS-15 EB-08 L-03 /037 W
-----041003 182012Z /43

R 181025Z JAN 78
FM AMEMBASSY JIDDA
TO SECSTATE WASHDC 762
INFO AMCONSUL DHAHRAN
USLO RIYADH
AMEMBASSY TEHRAN

LIMITED OFFICIAL USE JIDDA 0408

E.O. 11652: N/A
TAGS: EFIN, SA, US
SUBJECT: NEW IRS RULING ON TAX CREDITS

REF: STATE 11565

1. DEPUTY ASSISTANT SECRETARY OF TREASURY GARY C. HUFBAUER, ACCOMPANIED BY ECONCOUNSELOR, CALLED JANUARY 16 ON DEPUTY FOREIGN MINISTER FOR ECONOMIC AND CULTURAL AFFAIRS FOR PURPOSE OF EXPLAINING IRS RULINGS DEALING WITH FOREIGN TAX CREDITS. DISCUSSION CENTERED ON RECONSIDERATION OF IRS RULING 55-296 WHICH HELD THAT AMOUNTS RECEIVED BY SAUDI ARABIA UNDER NOVEMBER AND DECEMBER 1950 DECREES ARE CREDITABLE IN COMPUTATION OF FIRM'S U.S. TAX LIABILITY.

2. HUFBAUER EXPLAINED THAT IRS DECISION TO NO LONGER ACCEPT "POSTED PRICE" AS BASIS FOR CALCULATING "INCOME TAX" AND "ADDITIONAL INCOME TAX" IN CASE OF SAUDI ARABIA WAS RESULT TECHNICAL INTERPRETATION OF U.S. LAW WORKED OUT OVER PERIOD OF MORE THAN TWO YEARS AND DID NOT REPEAT NOT REFLECT CHANGE IN POLICY TOWARDS SAUDI ARABIA.

3. REACTION OF DEPUTY MINISTER WAS OF AMUSEMENT THAT
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USG, AFTER ALL THESE YEARS OF HAVING "ACCEPTED" POSTED PRICE, WAS NOW GETTING AROUND TO CHANGING RULES. HE ACKNOWLEDGED THAT POSTED PRICE IN HIS VIEW WAS OUT OF DATE AS BASIS FOR INCOME AND TAX CALCULATION. BUT HE NOTED PROBLEM WOULD NOT BE APPLICABLE TO SAUDI ARABIA IN ANY EVENT SINCE GOVERNMENT TAKING OVER ARAMCO. HE SAID IT WAS "U.S. BUSINESS, NOT SAUDI ARABIA'S" AND, IF USG

WANTED TO TAX OIL COMPANIES MORE, IT DID NOT CONCERN SAG.
HE CONCLUDED THAT THERE MIGHT BE TECHNICAL IMPLICATIONS
OF U.S. ACTION HE DID NOT SEE CLEARLY AND RECOMMENDED
THAT DEPUTY ASSISTANT SECRETARY MAKE SIMILAR PRESENTATION
TO MINISTRY OF PETROLEUM.

4. COMMENT: DEPUTY ASSISTANT SECRETARY HUFBAUER DEPARTED
JIDDA ON JANUARY 17 FOR DHAHRAN WHERE IT WAS EXPECTED THAT
HE WOULD MEET AT LEAST WITH DEPUTY PETROLEUM MINISTER BEFORE
CONTINUING ONWARD TO TEHARN ON JANUARY 18.
WEST

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Message Attributes

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Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TAX LAW
Control Number: n/a
Copy: SINGLE
Draft Date: 18 jan 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Litigation History:
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Original Classification: LIMITED OFFICIAL USE
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Status: NATIVE
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TAGS: EFIN, SA, US
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